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PRODUCTION FIGURES FOR THE FIRST NINE MONTHS OF 1982

Product	Jan.-Sept.'82	% Jan.-Sept. 1982 over Jan.-Sept.1981
Electricity (bil.kw.hrs.)	997.0	103.0
Petroleum (incl. gas condensate) (mil. tons)	456.0	100.2
Natural Gas (bil.cu.meters)	368.0	108.0
Coal (mil. tons)	539.0	102.0
Steel (mil. tons)	111.0	99.0
Fertilizers (mil. tons)	20.3	103.0
Metal-Cutting Tools (mil. rubles)	1565.0	106.0
Computer Tech. (bil. rubles)	2.1	109.0
Watches (mils.)	52.4	102.0
Radios (mils.)	6.5	100.8
Television sets (mils.)	6.2	103.0
Color TVs (mils.)	2.3	116.0
Paper (mil. tons)	4.1	100.0
Cement (mil. tons)	92.1	97.0
Meat (mil. tons)	6.7	98.0
Margerine (1000 tns)	1.0	106.0
Automotive Vehicles (mils.)	1.6	99.4
Tractors (1000s)	35.8	100.6

INDUSTRIAL PRODUCTION FOR THE FIRST NINE MONTHS OF 1982

On the whole, economic growth seems to be picking up a bit in 1982. The weak trends that appeared earlier in the year seem to have continued. There are still problems. For example, steel production continues to drop. Production in September was one million tons less than it was in September of the preceding year. Also, there has been a drop in the production of petroleum. Just as was the case earlier in the year, production in September dropped by one million tons. For the nine months as a whole, however, petroleum production is up a bit over what it had been the whole nine months of 1981. That is not the case with steel or automotive production, which for the nine months as a whole are both down by 1%.

In contrast, coal production continues to increase. Production for the month of September of 1982 over September 1981 is up about 4%. For the year as a whole, production is up by 2%.

There are still problems with food production. The production of meat is down by 2% from what it was for the nine months of 1981. The Soviets, however, do seem to be having some success in building up their livestock herds. Only the stock of goats and sheep has diminished. The Soviets report somewhat less than a 1% increase in their stock of cattle, pigs, and chickens. Given the fact that food supplies in the cities are still reported to be in short supply, that is an important accomplishment.

SECOND CORPORATE SPONSOR SEMINAR

Our second Corporate Sponsor Seminar of the academic year will take place on February 7 1983 at the Harvard Faculty Club. Our theme this year will be developments in Eastern Europe.

We hope to present a program mixing both political and economic developments. Enclosed is the preliminary program as well as a sign-up sheet.

BREZHNEV'S SPEECH TO THE GENERALS

In case some of our readers missed it, we thought it might be interesting to summarize the content of Brezhnev's speech to the Generals which he made on October 27th in the Kremlin. It was a remarkable speech because he made it and because it was publicized. While the military aspects are interesting in and of themselves, we will focus here on the economic and political aspects. It is clear that Brezhnev felt it important to make an appearance before the Generals to show them that he was still able to speak in his own voice. It was also clear that he was quite worried about the United States. More importantly, he put considerable stress on the need to improve relationships with China. As he put it, "We seek to normalize relations and Beijing is also seeking normalization."

In his discussion on the economy, he stressed the fact that the economy works well and rhythmically. He also laid stress on the fact that the Soviet economy is almost entirely self-reliant, and can produce from the material base of the resources that are in the country. But he conceded that all is not well, particularly in the field of metals, fuel, and transport. He also acknowledged the need to improve capital construction. What was particularly interesting for an economist was his stress on the need to reduce agricultural imports and other types of imports.

He also wanted to reassure the Generals that the Soviet Union's strength would be based on the availability of modern weapons and modern military technology. He assured the Generals that steps were being taken to do what was necessary to ensure this. He conceded, however, that military preparedness was not at a high enough level, and that it was necessary to increase Soviet readiness and stimulate Soviet engineers and scholars more to higher levels of production.

BALANCE OF TRADE FIGURES FOR THE FIRST HALF OF 1982

Since we did not publish the trade figures for the first quarter of 1982, we did not comment earlier on what seems to be a remarkable development in Soviet foreign trade. This development shows up clearly in the figures for the first half of the year. The Soviet apparently have taken very significant steps to reduce their trade deficit. This trade deficit has been incurred largely because of the continuing need to import large quantities of grain. This shows up in the level of imports from Argentina, Canada, the United States, Brazil, Australia, and New Zealand. For the first half of 1982, Soviet imports from that block of countries was 3.9 billion rubles. In contrast, in 1981, the total was 3.3 billion rubles, and in 1980, it was almost a full billion rubles less at 2.4 billion. This comes at a very awkward time for the Soviet Union. Their ability to export has been adversely affected by the world recession. That means that they have to export more of their raw commodities to earn a fixed dollar amount.

A look at the trade figures indicates that the Soviets have indeed increased their exports. Thus from the first half of 1981 to the first half of 1982, exports from the Soviet Union rose by over 2 billion rubles. For the most part, these were energy exports. This was a remarkable performance, and there are strong indications that most of this increase was in the form of petroleum.

At the same time, the Soviets decided apparently to tighten their belts and cut back on their imports. Since they had to import so much food, they had to cut back on their importation of machinery. This is reflected by the remarkable reduction that took place in the volume of Soviet imports from the OECD countries listed at the top of the table. The volume of imports actually fell by half a billion rubles. This had the effect of transforming what had been a negative trade balance of 760 billion rubles in Soviet trade with the West European countries and Japan. Unfortunately for the Soviet Union, this trade surplus in 1982 was more than offset by the very negative balance of trade with the agricultural supplying countries. As a result, they still ended up with a trade deficit of 2 billion rubles.

The readjustment of trade has not been all that easy for some of the countries which have been traditional suppliers of the Soviet Union. For example, Soviet imports from France dropped by almost 200 million rubles. At the same time, Soviet exports to France increased by almost 100 million rubles. The French apparently have been upset by this trend, and recently announced that they would stop buying Soviet petroleum if the Soviets didn't resume buying from France.

The lesson of this is that the Soviets do exercise remarkable control over their imports and their exports when necessary.

ARDEN HOUSE APPROACHES

It will soon be time for Arden House. We are presently engaged in trying to arrange the program. So far the conference looks very exciting. We have a commitment from Senator Clayborne Pell, Democrat from Rhode Island, and tentative commitments from Senators Paul Tsongas from Massachusetts and Christopher Dodd of Connecticut. All three serve on the Senate Foreign Relations Committee. In addition, Representative Barber Conable has also agreed to participate in our Saturday evening session. Representative Conable is the ranking Republican Congressman on several congressional committees.

In addition, Ambassador Arthur Hartman in our Moscow Embassy is hoping that his schedule will allow him to join us as he did last year. We hope by December to have more names to announce.

Mark your calendar beginning from February 25th to the 27th, Friday evening to Sunday afternoon. It promises to be a good time to talk about a momentous period in developments inside the Soviet Union as well as in American-Soviet relations.

NEWS FLASH

Just as we were sending this Newsletter off to be duplicated, the word came of Brezhnev's death and Andropov's succession. We have included one of the Editor's articles that appeared in The New York Times discussing the economic situation. We have included no political commentary, although there is a hint of that in the speech that Brezhnev made to the Generals. It should be remembered that Andropov and Chernenko were present at that session along with Brezhnev.

These rapidly moving changes clearly make the Arden House Conference particularly timely. It should be our most interesting ever.

CURRENCY FIGURES

Rubles Purchased Per 100 :	Oct. 81	Sept. 82	Oct. 82
Austrian shilling	4.58	4.19	4.19
U.K. pound	131.80	126.50	126.50
W. German mark	32.10	29.48	29.48
U.S. dollar	71.30	73.40	73.70
French franc	12.78	10.50	10.42
Swiss franc	38.00	34.67	34.55
Japanese yen	.311	.284	.277
Italian lira	.060	.052	.051

The currency figures released by Gosbank for October 1982 show that most currencies remained at the same value of the previous month, or decreased slightly in value. The U.S. dollar was the only currency here to rise slightly in value from September 1982.

The Russian Research Center takes on official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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BALANCE OF TRADE - 1ST HALF 1980, 1981, & 1982

(Million Rubles)

	Exports From USSR			Imports to USSR		
	1980	1981	1982	1980	1981	1982
Austria	280	392	346	160	258	251
Belgium	401	249	530	176	268	329
Great Britain	320	349	416	516	631	354
Greece	187	350	275	44	71	78
Denmark	122	74	199	39	151	42
Spain	104	156	77	67	323	101
Italy	893	1066	1362	429	498	592
Netherlands	567	430	715	178	334	217
Norway	27	28	37	39	58	34
Germany	1076	1207	2059	1603	1586	1525
France	930	1082	1168	937	922	727
Switzerland	173	90	181	205	291	224
Sweden	142	93	159	132	207	207
Japan	471	407	390	907	1168	1532
Subtotal:	5693	5973	7914	5432	6733	6213
Sub-Balance of Trade:				+261	-760	+1701
Argentina	20	23	15	590	1060	840
United States	87	57	76	764	892	1672
Canada	15	28	14	321	489	554
Australia	3	8	6	441	381	411
New Zealand	1	2	3	115	96	166
Brazil	12	5	90	139	384	275
Total:	5831	6096	8118	7802	10035	10131
Balance of Trade:				-1971	-3939	-2013

The New York Times, Friday, November 12, 1982

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A Legacy of Deficits

By Marshall I. Goldman

WELLESLEY, Mass. — If Leonid I. Brezhnev had been president of any normal organization, he would have been fired long ago.

In 1964, he took over a going concern with an annual growth rate of at least 6 percent. There was virtually no foreign debt. Agricultural output hit a record level that year; in 1982, agricultural exports had reached their highest point in half a century. There was good reason to expect that Mr. Brezhnev would have continued his country's economic growth and made the Soviet Union the world's No. 1 economic power, as Nikita S. Khrushchev had boasted it would be. In Mr. Khrushchev's words: "The Soviet Union will overtake and surpass the United States" by 1970 or 1969.

Many people in the United States and abroad took this challenge seriously. Instead, President Brezhnev watched almost helplessly as economic growth came to a virtual halt. Agricultural output in 1981 was barely 5 percent above what it had been in 1964 — and even lower than it was in 1966. Before he came to power, the Soviet Union had never experienced more than two consecutive bad harvests; it is now suffering through a record fourth bad harvest.

As a result, Russia, which before the Revolution was frequently the world's main exporter of grain, has been transformed into the world's largest importer of grain: In 1981, it brought in about 43 million metric tons. Further, Mr. Brezhnev found it expedient to import about one million tons of meat — that's about 10 pounds per capita and nearly double what was imported in 1980.

Four years of bad weather was the main reason for the poor harvests, but Mr. Brezhnev himself acknowledged that they were not only a matter of weather: His investment program was faulty and he failed to inspire the peasants.

The Soviet Union in 1981 spent nearly $8 billion on food — almost one-half of its foreign currency earnings, incurring that year a foreign-trade deficit of about $5 billion. And this year a deficit of about the same size is expected. Because of such deficits, the Soviet Union is no longer debt-free but now owes more than $50 billion.

The deficits and the continuing need to import food means that there is that much less money available to buy foreign technology. This could prove important because President Brezhnev apparently had as many problems in industry as in agriculture. Try as he might, he seemed unable to generate the innovation that Soviet industry needed.

The Soviet Union has not been able to master the mass production and use of computers. In fact, the whole high-technology revolution has been beyond the reach of planners and factory managers. Since making a long-distance phone call is an ordeal in the Soviet Union, time-sharing and other sophisticated computer techniques will be difficult to introduce even when the Soviets have enough computers. (For that matter, only a few months ago, Soviet innovators proudly announced that they had invented the digital watch.)

Industries that had been strong under Mr. Khrushchev experienced problems under Mr. Brezhnev. In recent years, production in such basic areas as steel has steadily fallen. What makes this so remarkable is that Mr. Khrushchev had complained that his planners and managers could not produce anything but steel: They were steel-eaters, he said. Mr. Brezhnev's industry had trouble even making steel. Production of such important items as machine tools, cars and, until recently, the mining of coal have suffered from similar failures.

To give him his due, Mr. Brezhnev was able to build up military power, and today the Soviet Union is at least on a par with the United States. But the cost of this buildup for the rest of the economy has been enormous. Thus, while Mr. Khrushchev could threaten to overtake America, Mr. Brezhnev had to worry about food rationing and about being overtaken industrially by the Japanese.

Where does this leave President Brezhnev's successors? In an unenviable position. The economy is stagnant, and there is nothing to indicate that the maladies will be buried with Mr. Brezhnev. A drop in productivity affects the ability to supply more consumer goods, which affects morale, which in turn affects productivity.

When asked about life, Soviet friends used to say, "Yes, we have had it bad, but [illegible] that they were worse before. What is important is that tomorrow will be better tomorrow." Under Mr. Brezhnev, the [illegible] changed: "Things are bad now. We need to [illegible] they will [illegible] worse in the future." That is the Brezhnev legacy. It will not be [illegible]

Marshall I. Goldman, professor of economics at Wellesley College and [illegible] Russian Research Center at Harvard University, is author of "The U.S.S.R. in Crisis: The Failure of an Economic System."

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